



Deposit Takers (Nelson Building Society) Exemption Notice 2011

Pursuant to section 157G of the Reserve Bank of New Zealand Act 1989, the Reserve Bank of New Zealand gives the following notice (to which is appended a statement of reasons of the Bank).

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Notice

- 1 Title**
This notice is the Deposit Takers (Nelson Building Society) Exemption Notice 2011.
- 2 Commencement**
This notice comes into force on the day after the date of its notification in the *Gazette*.
- 3 Expiry**
This notice expires on the close of 30 November 2016.
- 4 Interpretation**
 - (1) In this notice, unless the context otherwise requires,—
Act means the Reserve Bank of New Zealand Act 1989

Nelson Building Society means the mutual building society incorporated with that name under the Building Societies Act 1965

Regulations means the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.

- (2) Any term or expression that is defined in the Act and used, but not defined, in this notice has the same meaning as in the Act.

5 Exemption in respect of capital ratio requirements

Nelson Building Society is exempted from regulation 10(1) of the Regulations to the extent that regulation 10(5)(a) requires Nelson Building Society's capital to be calculated so that its perpetual non-cumulative preference shares without full voting rights may not constitute more than 25% of capital.

6 Conditions of exemption

The exemption in clause 5 is subject to the conditions that—

- (a) perpetual non-cumulative preference shares without full voting rights may not constitute more than 50% of Nelson Building Society's capital:
- (b) Nelson Building Society must not allot any debt security offered to the public in New Zealand unless the subscriber has, before subscription, received written notification that, until the close of 30 November 2016, Nelson Building Society is calculating its capital in accordance with this exemption.

Dated at Wellington this 18th day of July 2011.

Alan Bollard,
Governor.

Statement of reasons

This note is not part of the notice, but is intended to indicate its general effect.

This notice comes into force on the day after its notification in the *Gazette* and expires on 30 November 2016.

Nelson Building Society (**NBS**) is a deposit taker within the meaning of Part 5D of the Reserve Bank of New Zealand Act 1989 (the **Act**). This notice exempts NBS from one of the requirements as to how it must calculate its capital for the purpose of the prudential requirements about capital ratios.

The Reserve Bank of New Zealand, after taking into account the principles set out in section 157F of the Act and satisfying itself as to the matters set out in section 157G(2) of the Act, considers it is appropriate to grant the exemption because—

- NBS is similar in character to “qualifying mutuals”, yet its preference shares may only constitute 25% of capital, rather than 50%, because building societies are excluded from the definition of qualifying mutual in the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. This inconsistency in the treatment of similarly placed entities is disadvantageous for NBS, which was a mutual organisation that had high levels of preference share capital relative to total capital when those regulations came into force on 1 December 2010. In the circumstances, it is considered that it would be unduly onerous and burdensome to restrict NBS to the 25% capital preference share limit that is intended for non-mutual organisations that do not have restrictions on their capacity to raise ordinary voting share capital. A temporary exemption until 30 November 2016 provides sufficient time for NBS to transition to the requirement that preference shares may only constitute 25% of capital:
- the limited nature of the exemption will not be prejudicial to the maintenance of a sound and efficient financial system. The proposed exemption will allow NBS to be treated similarly to other mutual organisations that lack ordinary share capital, while providing a suitable period of time to achieve compliance:

- as this will be a conditional exemption for an individual firm and as the exemption will be limited in duration, it will not be broader than is reasonably necessary to address the matters that gave rise to the exemption.

Issued under the authority of the Acts and Regulations Publication Act 1989.
Date of notification in *Gazette*: 21 July 2011.
This notice is administered by the Reserve Bank of New Zealand.
